

Message Text

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ORIGIN EB-11

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P R 021423Z JUL 74
FM SECSTATE WASHDC
TO USMISSION EC BRUSSELS PRIORITY
INFO AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY BONN
AMEMBASSY COPENHAGEN
AMEMBASSY THE HAGUE
AMEMBASSY LUXEMBOURG
AMEMBASSY BRUSSELS
AMEMBASSY DUBLIN

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E.O. 11652: N/A

TAGS: EIND, ETRD, EEC

SUBJECT: US FERROUS SCRAP EXPORTS

1. DEPARTMENT AND COMMERCE OFFICERS MET JUNE 28 WITH EC DELEGATION (LENG) TO PROPOSE CHANGE IN METHOD OF ALLOCATING EC SCRAP QUOTA AMONG US EXPORTERS. PROPOSAL WOULD HELP ASSURE GREATER UTILIZATION BY EC OF ITS QUARTERLY SCRAP QUOTA.

2. UNDER PRESENT PROCEDURES, EC NOTIFIES USG OF COUNTRY
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BREAKDOWN IT WISHES MADE OF EC QUARTERLY GLOBAL QUOTA OF

197,400 ST. COUNTRY QUOTAS NOTIFIED TO USG ARE THEN DISTRIBUTED AMONG THE 13 US SCRAP EXPORTERS ENTITLED TO SHARE EC GLOBAL QUOTA, ON BASIS OF THEIR INDIVIDUAL EXPORTS TO EC DURING JULY 1970-JUNE 1973 BASE PERIOD. (E.G., ASSUMING GIVEN US EXPORTER ACCOUNTED FOR 5 PERCENT OF TOTAL US SCRAP EXPORTS TO EC DURING BASE PERIOD, AND EC DECIDED TO DIVIDE EC GLOBAL QUOTA AMONG THREE COUNTRIES, THIS EXPORTER WOULD RECEIVE 5 PERCENT OF EACH INDIVIDUAL COUNTRY QUOTA, OR MINIMUM OF 200 ST PER COUNTRY IF HIS CALCULATED SHARE OF GIVEN COUNTRY'S QUOTA AMOUNTED TO LESS THAN 200 ST.) REQUIREMENT THAT EACH EC COUNTRY QUOTA BE SPLIT 13 WAYS CAN RESULT IN NUMBER OF SMALL EXPORTER ALLOCATIONS AND LOSS OF SCRAP BY EC DUE TO EITHER COUNTRY OR EXPORTER DISINTEREST BECAUSE OF SMALL QUANTITIES INVOLVED.

3. USG PROPOSES TO DIVIDE EC GLOBAL QUOTA 197,400 ST PRO-RATA AMONG THE 13 EXPORTERS, BASED ON EACH EXPORTER'S SHARE OF BASE PERIOD EXPORTS TO EC, AND NOT RPT NOT ESTABLISH INDIVIDUAL COUNTRY ALLOCATIONS. THIS WAY, ONCE EC DECIDED ON INTERNAL ALLOCATION OF EC GLOBAL QUOTA, EACH EC MEMBER RECEIVING PART OF GLOBAL QUOTA WOULD BE FREE TO PURCHASE SCRAP FROM ONE OR MORE EXPORTERS TO EXTENT OF HIS (OR THEIR) QUOTA SHARE(S). IF, E.G., BELGIUM WERE TO BE ALLOCATED 5,000 ST BY EC, BELGIAN BUYERS WOULD NOT HAVE TO DEAL WITH TOTAL OF 13 US EXPORTERS, BUT COULD BUY FULL 5,000 ST FROM SINGLE US EXPORTER (PROVIDING OF COURSE THAT EXPORTER HAD AT LEAST 5,000 ST SHARE OF EC GLOBAL QUOTA).

4. UNLESS EC DECIDES TO ALLOCATE FULL EC GLOBAL QUOTA TO ITALY IN THIRD QUARTER (WHICH WOULD HAVE SAME EFFECT AS US PROPOSAL), US PROPOSAL WOULD BE WORKABLE ONLY IF EC ABLE TO ESTABLISH SOME SORT OF INTERNAL CONTROLS TO ASSURE THAT TOTAL OF NO MORE THAN 197,400 ST ARE ORDERED BY ALL EC SCRAP BUYERS IN THIRD QUARTER. OTHERWISE, THERE IS POSSIBILITY OF MORE ORDERS BEING PLACED (POSSIBLY BY BUYERS IN EC MEMBERS OTHER THAN THOSE DESIGNATED TO SHARE GLOBAL QUOTA) THAN QUOTA TONNAGE AVAILABLE, WITH HORRENDOUS TASK OF SORTING OUT WHICH EC ORDERS TO BE LICENSED AND WHICH NOT.

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5. WE POINTED OUT TO LENG THAT DURING SECOND QUARTER, TOTAL OF ONLY 173,494 ST OF EC GLOBAL QUOTA OF 197,400 ST HAD BEEN LICENSED FOR EXPORT, AND THAT AT LEAST SOME PART OF THE 23,906 ST REMAINING UNLICENSED MIGHT HAVE BEEN LICENSED HAD US PROPOSAL BEEN IN EFFECT DURING SECOND QUARTER.

6. LENG SAID HE WOULD HAVE TO REFER US PROPOSAL TO EC IN

BRUSSELS FOR DECISION, BUT EXPRESSED SOME DOUBT INFORMALLY WHETHER EC WOULD BE ABLE TO PROVIDE INTERNAL POLICING NEEDED FOR EFFECTIVE IMPLEMENTATION OF US PROPOSAL. WE NOTED THAT COMMERCE WILL HAVE TO NOTIFY ALL US EXPORTERS (TO EC AND ELSEWHERE) OF THEIR INDIVIDUAL COUNTRY SHARES SOON, AND REQUESTED LENG TO PROVIDE US WITH EC REACTION TO US PROPOSAL AT THE LATEST BY END OF THIS WEEK. LENG EXPRESSED SOME DOUBT THIS COULD BE DONE, NOTING THAT MATTER WOULD HAVE TO REFERRED TO EC NINE, BUT SAID HE WOULD URGE SPEEDY DECISION.

7. ACTION REQUESTED: USEC REQUESTED TO FOLLOW UP OUR APPROACH WITH APPROPRIATE EC OFFICIALS, AND URGE SPEEDY POSITIVE DECISION. SISCO

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